



*A Unified Voice for the 15 Cities of  
Santa Clara County, California*

Minimum Wage  
Regional Recommendation  
June 9, 2016

Minimum Wage Subcommittee

Greg Scharff

Rod Sinks

# History

- Cities Association priority in 2015 & 2016
- June 2015 Cities Association position:
  - Regional consistency is paramount
  - No specific wage or timeline, but watch Mountain View and Sunnyvale
  - Restaurant wait staff exemption – recommend against
  - Non-profit exemption – no recommendation
  - Youth exemption – no recommendation

# History continued

- Sept 2015: Mayors of Campbell, Cupertino, Milpitas, Morgan Hill, Monte Sereno, San Jose and Santa Clara call for a study;  
Cities Association signed on to San Jose's effort;  
Ben Brownstein, Matt Mahood, Rod Sinks appointed as Advisory Team to San Jose Economic Development Staff
- Oct 2015: Study RFP posted
- Dec 2015: IRLE/CWED selected to conduct study
- Jan 2016: BW Research selected for employer survey
- April 2016: Results presented to Cities Association Board
- June 2016: Call for regional recommendation

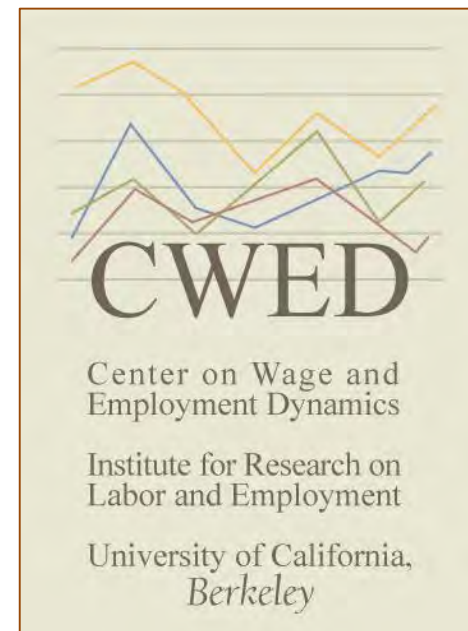
# The Effects of a \$15 Minimum Wage by 2019 in Santa Clara County

## Summary of Key Findings

April 2016

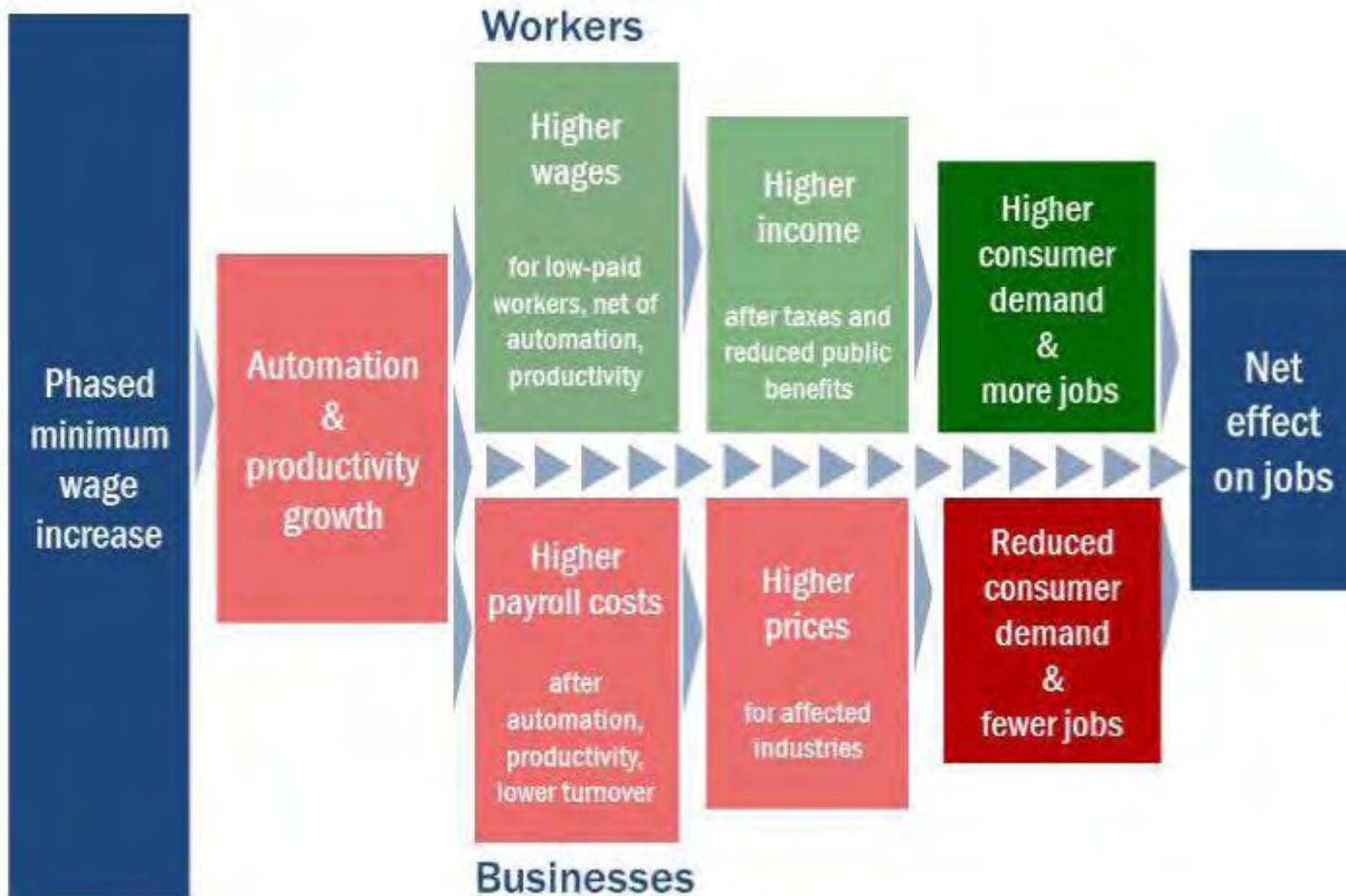
by Michael Reich, Claire Montialoux,  
Annette Bernhardt, Sylvia Allegretto,  
Sarah Thomason, and Ken Jacobs

*With the assistance of Saika Belal and Ian Perry*



# Increase in payroll costs

The net effect on jobs reflects the balance among factors impacting workers and employers



# Key Findings for Santa Clara County

- Increase earnings for 250,000 workers
- Raise average annual earnings of affected workers by 19.4 percent, or \$3,200 (in 2014 dollars)
- Increase average prices in Santa Clara County by 0.2 percent over three years
- Have a net effect on employment that is slightly negative at the county level (1,450 jobs) and close to zero at a 10 county regional level

# Conclusions

- Higher wage costs would be absorbed through improved productivity, reduced worker turnover, and modest price increases.
- Net effects on employment would be very slightly negative at the city and county levels and close to zero at the regional level.
- The resulting improvement in living standards would outweigh the small effects on employment.

# Santa Clara County Minimum Wage Employer Survey

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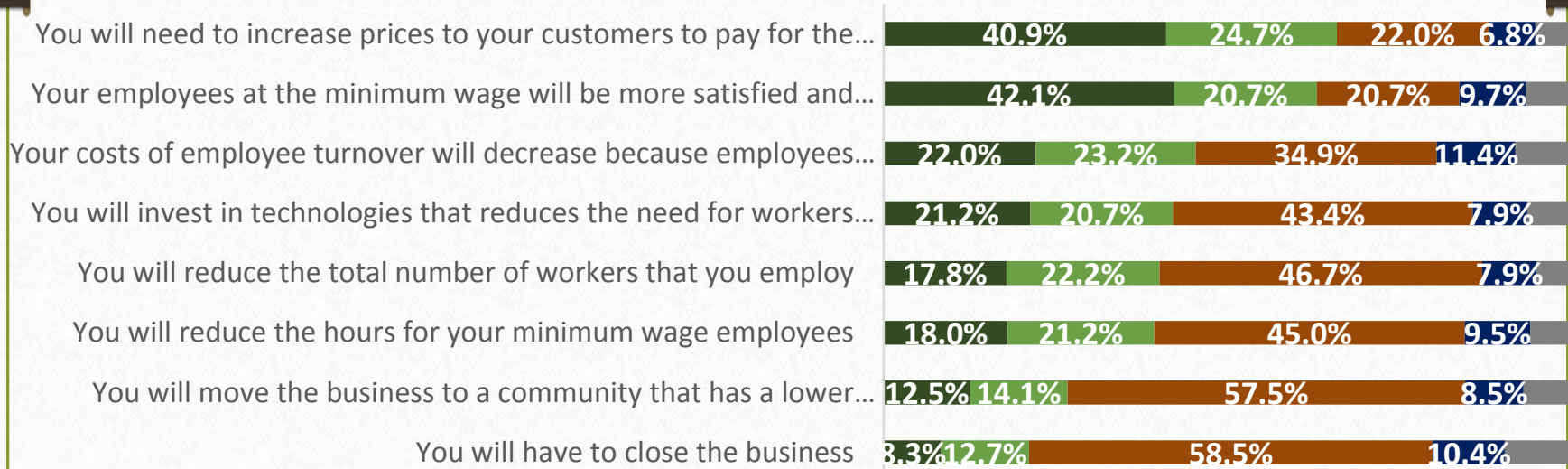
A Study Conducted by BW Research Partnership  
In Collaboration with City of San Jose and Institute  
for Research on Labor and Employment (IRLE)

April 2016



The majority of surveyed employers report that they will likely have to increase prices for customers, but that their employees will be more satisfied and productive given a minimum wage increase.

- Very likely
- Somewhat likely
- Not at all likely



# Local Minimum Wage



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	2016	2017	2018	2019
<b>Existing</b>				
San Jose		\$10.53**	\$10.76**	\$11.00**
Palo Alto & Santa Clara City		\$11.25**	\$11.50**	\$11.75**
Mountain View & Sunnyvale	\$11.00	\$13.00	\$15.00	\$15.37**
Rest of Santa Clara County (State schedule)		\$10.50*	\$11.00*	\$12.00*
<b>Subcommittee Recommendation</b>		<b>1/1/2017</b>	<b>1/1/2018</b>	<b>1/1/2019</b>
Santa Clara County		\$12.00	\$13.50	\$15.00

\* Businesses of 25 or more employees; delayed one year for less than 25 employees

\*\* Where minimum wages are scheduled to increase according to CPI, we estimate the increase using the average annual CPI increase over the past 10 years. Mountain View's minimum wage is indexed to the San Francisco CMSA CPI-W. All other cities are indexed to the U.S. All Cities CPI-W.

# New California Minimum Wage

The new statewide law, SB-3 (Leno), increases minimum wages to \$15 an hour by 2022 for large businesses and 2023 for small businesses. Starting in 2024, the minimum wage will be indexed to the cost of living.

## Schedule of California minimum wage increases

	State schedule		Subcommittee Recommendation
	Business with more than 25 employees	Businesses with 25 or fewer employees	
2017	\$10.50	\$10.00	\$12.00
2018	\$11.00	\$10.50	\$13.50
2019	\$12.00	\$11.00	\$15.00
2020	\$13.00	\$12.00	\$15.33*
2021	\$14.00	\$13.00	\$15.68*
2022	\$15.00	\$14.00	\$16.03*
2023	\$15.00	\$15.00	\$16.38*

# Local Indexing

- Past 2018, Mountain View and Sunnyvale both index minimum wage increases to **San Francisco Bay Area CPI-W, capped at 5% per year**

# San Francisco Bay Area CPI-W

## Consumer Price Index - Urban Wage Earners and Clerical Workers Original Data Value


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Series: CWURA422AA0  
 Not Seasonally Adjusted  
 Area: San Francisco-Oakland-San Jose, CA  
 Item: All items - old base  
 Base: 1967=100  
 Years: 1967 to 2015

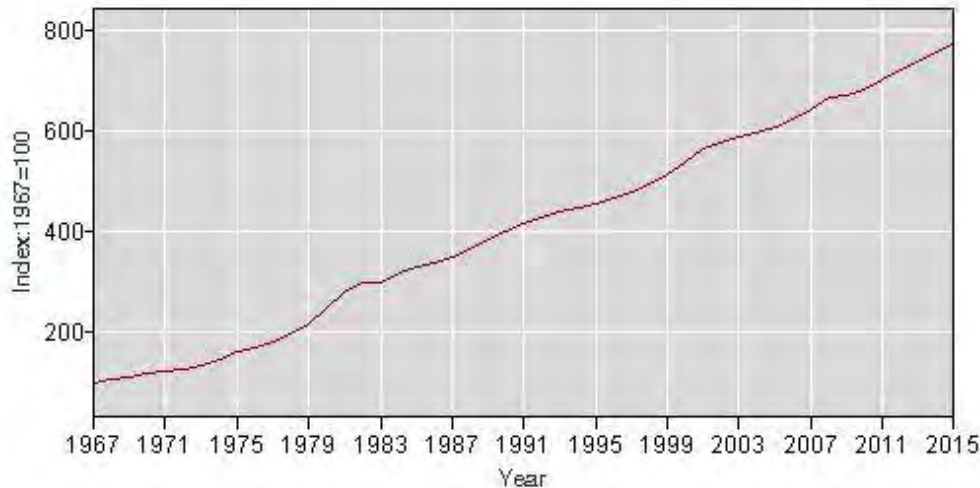
## Databases, Tables & Calculators by Subject

Change Output Options: From:  To:    
 include graphs  include annual averages

Data extracted on: June 2, 2016 (12:20:27 AM)

### Consumer Price Index - Urban Wage Earners and Clerical Workers

Series Id: CWURA422AA0  
 Not Seasonally Adjusted  
 Area: San Francisco-Oakland-San Jose, CA  
 Item: All items - old base  
 Base Period: 1967=100



Year	Annual	Delta	Year	Annual	Delta
1967	100.0		1991	414.9	4.0%
1968	104.5	4.5%	1992	428.2	3.2%
1969	110.2	5.5%	1993	439.2	2.6%
1970	115.8	5.1%	1994	445.6	1.5%
1971	120.1	3.7%	1995	454.7	2.0%
1972	124.3	3.5%	1996	464.7	2.2%
1973	131.5	5.8%	1997	479.2	3.1%
1974	144.4	9.8%	1998	492.7	2.8%
1975	159.1	10.2%	1999	514.1	4.3%
1976	168.0	5.6%	2000	536.7	4.4%
1977	180.8	7.6%	2001	565.6	5.4%
1978	197.4	9.2%	2002	575.0	1.7%
1979	214.7	8.8%	2003	585.9	1.9%
1980	247.2	15.1%	2004	594.0	1.4%
1981	278.8	12.8%	2005	606.3	2.1%
1982	298.9	7.2%	2006	624.0	2.9%
1983	298.9	0.0%	2007	643.639	3.1%
1984	315.8	5.7%	2008	665.172	3.3%
1985	328.3	4.0%	2009	668.839	0.6%
1986	337.2	2.7%	2010	680.954	1.8%
1987	348.2	3.3%	2011	701.394	3.0%
1988	363.6	4.4%	2012	721.978	2.9%
1989	382.0	5.1%	2013	737.291	2.1%
1990	399.1	4.5%	2014	756.173	2.6%
			2015	773.179	2.2%

# Ramp-Up Provisions & State Indexing

- Until Min Wage reaches \$15, SB-3 provides “off-ramp” triggers
  - Sec 3 (d) (1) On or before July 28, 2017, and on or before every July 28 thereafter until the minimum wage is fifteen dollars (\$15) per hour pursuant to paragraph (1) of subdivision (b), to ensure that economic conditions can support a minimum wage increase, the Director of Finance shall annually make a determination...
- Past 2024, SB-3 indexes minimum wage to **U.S. CPI-W**, capped at 3.5% annually and rounded to nearest 10 cents
  - Sec 3 (c) (1) Following the implementation of the minimum wage increase specified in subparagraph (F) of paragraph (2) of subdivision (b), on or before August 1 of that year, and on or before each August 1 thereafter, the Director of Finance shall calculate an adjusted minimum wage. The calculation shall increase the minimum wage by the lesser of 3.5 percent and the rate of change in the averages of the most recent July 1 to June 30, inclusive, period over the preceding July 1 to June 30, inclusive, period for the United States Bureau of Labor Statistics nonseasonally adjusted United States Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. CPI-W). The result shall be rounded to the nearest ten cents (\$0.10). Each adjusted minimum wage increase calculated under this subdivision shall take effect on the following January 1.

# Subcommittee Recommendation on Ramp-Up and Indexing

- Use State defined economic “off-ramp” triggers with local determination during the ramp up period
- Index to **Bay Area CPI-W** after 2019
  - If CPI-W negative, hold min wage flat
  - If CPI-W exceeds 5%, cap minimum wage increase at 5%
  - Round to nearest 10 cents
  - Use same calculation process as the State

# State of California Exemptions

- Learners (regardless of age)
  - May be paid not less than 85% of the minimum wage rounded to the nearest nickel during their first 160 hours of employment in occupations in which they have no previous similar or related experience.



# Cities' Learner Exemptions

- Most cities in California incorporate the state's learner exemption.
- 4 exempt youth training programs operated by a non-profit corporation or government agency (Sacramento, Richmond, Berkeley, San Diego)
- 1 exempts publicly subsidized job-training and apprenticeship programs for teens (San Francisco)
- 2 extend the state learner provision to 480 hours or 6 months (Santa Monica, Long Beach)

# Transitional Job Programs

- Transitional jobs programs provide short-term, subsidized employment and supportive services through a non-profit organization to help participants overcome barriers to employment
- Most minimum wage laws treat transitional jobs programs the same as other non-profit organizations
- In Los Angeles and Santa Monica, participants in transitional jobs programs that meet specified criteria are exempted from the higher minimum wage for a maximum of 18 months

# Local Exemptions

- Mountain View and Sunnyvale included no exemptions in their ordinances
- San Jose has a collective bargaining waiver
- Some interest expressed in learner/training exemptions
- Palo Alto studying potential exemptions

# Subcommittee Recommendation on Exemptions

- Each city determines its own exemptions, if any

# Alternative for Consideration

- Adopt the State learner exemption but no other exemptions
  - Learners (regardless of age)
    - May be paid not less than 85% of the minimum wage rounded to the nearest nickel during their first 160 hours of employment in occupations in which they have no previous similar or related experience

# Elements for Board Consideration

- Ramp in 3 steps
  - \$12.00 on 1/1/17, \$13.50 on 1/1/18, \$15.00 on 1/1/19
- “Off-ramp” triggers during ramp phase
- Index to Bay Area CPI-W after 2019, capped at 5%
- Exemptions

- Questions from Board Members
- Public Input
- Deliberation

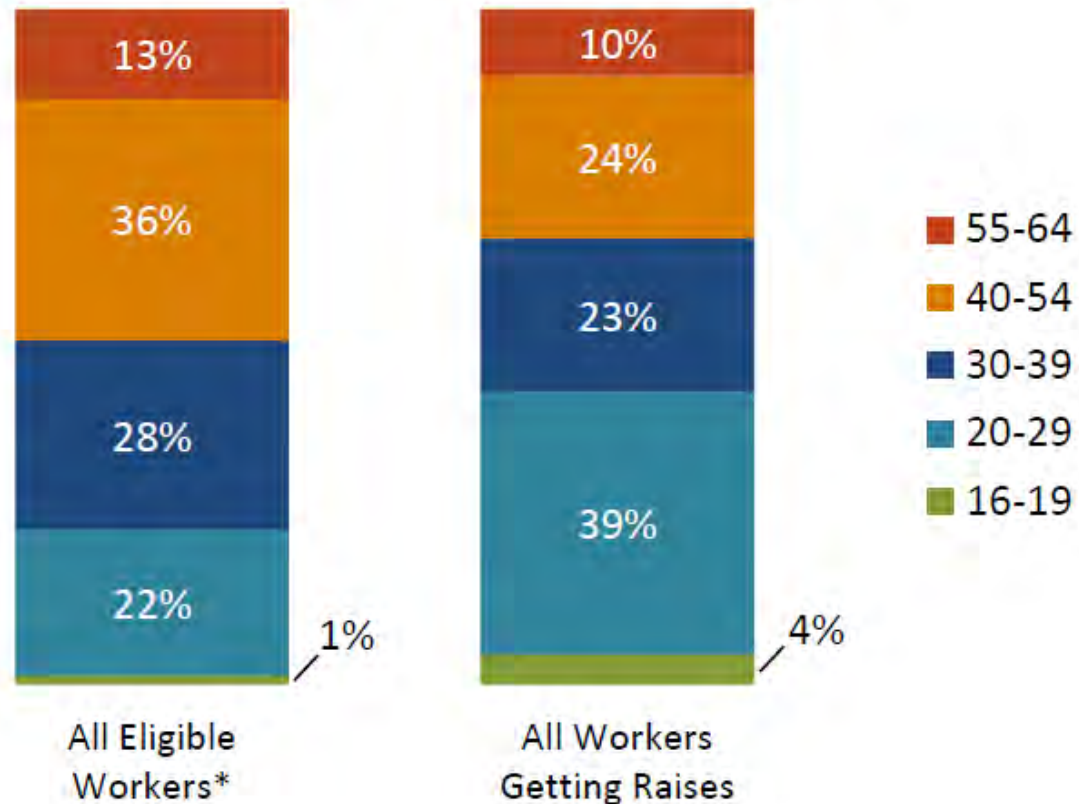
# Backup slides follow



# Age

96% of Santa Clara County workers receiving increases are over the age of 20, and 57% are over 30

## Santa Clara County workers by age group



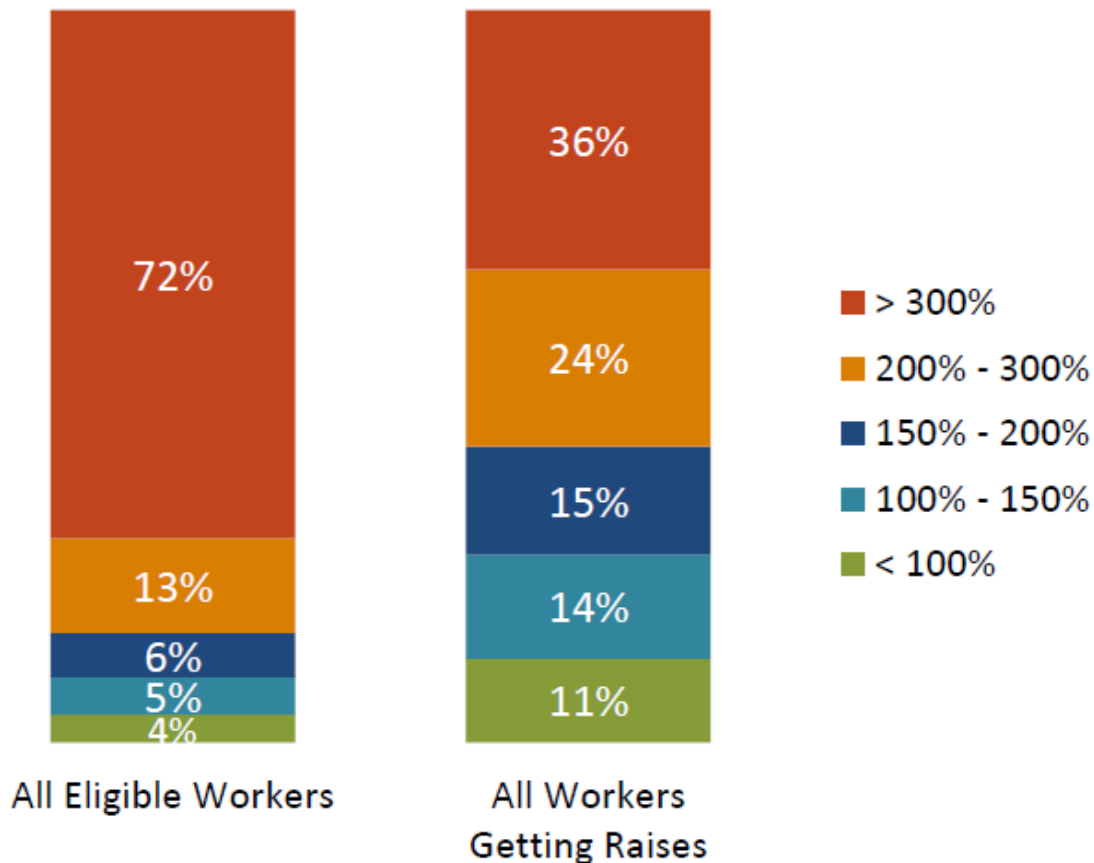
Source: Authors' analysis of ACS, OES, and QCEW data.

\* Excludes federal and state employees, public education employees, and IHSS workers.

# Family poverty level

Workers receiving pay increases are much more likely to live in families with incomes below the Federal Poverty Level (FPL).

## Workers by family poverty level\* – Santa Clara County



Source: Authors' analysis of ACS, OES, and QCEW data.

\* The federal poverty threshold is based on family size, the number of children, and whether the head of household is under or over 65. In 2014, the threshold for a family of four with two children was \$24,008.

## Industry impacts

The three industries shown below account for nearly half of all workers receiving increases in Scenario B.

	Scenario B: Santa Clara County	
Industry	Percent of affected workforce	Percent of workers in the industry receiving an increase
Restaurants	20.2%	71.0%
Retail	16.1%	44.4%
Administrative & waste management*	11.9%	47.6%

\* Includes office administrative services, facilities support services, employment services, business support services, and waste management.

# Increase in payroll costs

Total payroll impact estimated at 1.0% for Santa Clara County employers

